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**800 MHz RECONFIGURATION  
STATEMENT OF PROGRAM EXPENDITURES  
DECEMBER 31, 2008**

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**Brett Haan, Principal**  
Deloitte Consulting LLC  
1676 International Drive  
McLean, VA 22102  
T: 703.747.4968  
M: 202.360.9616  
**bhaan@Deloitte.com**

**Kamesh Mullapudi, Senior Manager**  
Deloitte Consulting LLC  
1676 International Drive  
McLean, VA 22102  
T: 703.747.6820  
M: 571.259.0752  
**kmullapudi@Deloitte.com**

**Robert B. Kelly, Partner**  
Squire, Sanders & Dempsey L.L.P.  
1201 Pennsylvania Ave., NW  
Washington, DC 20044  
T: 202.626.6216  
F: 202.626.6780  
**rkelly@ssd.com**

**Douglas L. Povich, Partner**  
Squire, Sanders & Dempsey L.L.P.  
8000 Towers Crescent Dr. 14<sup>th</sup> Floor  
Tysons Corner, VA 22182  
T: 703.720.7888  
F: 703.720.7801  
**dpovich@ssd.com**

**Alan J. (Joe) Boyer, President**  
Baseline Wireless Services, LLC  
2770 Arapahoe Road, Suite 132 - 133  
Lafayette, CO 80026  
T: 303.444.1480  
F: 888.361.0603  
**JBoyer@BaselineTelecom.com**

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## OVERVIEW

800 MHz Transition Administrator, LLC (“TA”) provides to the Federal Communications Commission (“FCC”) the audited Statement of Program Expenditures reporting funds expended in connection with the reconfiguration of the 800 MHz band for the year ended December 31, 2008 and during the period from August 6, 2004 (“Inception”) through December 31, 2008. Pursuant to the FCC’s *Reconfiguration Orders*,<sup>1</sup> the TA,<sup>2</sup> as the manager of the reconfiguration effort, is required to submit on an annual basis, an audited statement of reconfiguration funds expended, including salaries and expenses of the TA.<sup>3</sup>

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<sup>1</sup> Improving Public Safety Communications in the 800 MHz Band, Report and Order, Fifth Report and Order, Fourth Memorandum Opinion and Order, and Order, 19 FCC Rcd 14969 (2004), amended by Erratum, WT Docket No. 02-55 (rel. Sept. 10, 2004), Second Erratum, 19 FCC Rcd 19651 (2004), and Third Erratum, 19 FCC Rcd 21818 (2004) (“Report and Order”); Supplemental Order and Order on Reconsideration, 19 FCC Rcd 25120 (2004), amended by Erratum, WT Docket No. 02-55 (rel. Jan. 19, 2005) (“Supplemental Order”); Memorandum Opinion and Order, 20 FCC Rcd 16015 (2005); Second Memorandum Opinion and Order, 22 FCC Rcd 10467 (2007), amended by Erratum, WT Docket No. 02-55 (rel. July 26, 2007); Third Memorandum Opinion and Order, 22 FCC Rcd 17209 (2007); “FCC Announces Supplemental Procedures and Provides Guidance for Completion of 800 MHz Rebanding,” Public Notice, 22 FCC Rcd 17227 (2007); Second Report and Order, 23 FCC Rcd 7605 (2008), amended by Erratum, WT Docket No. 02-55 (rel. May 28, 2008); Fourth Memorandum Opinion and Order, 23 FCC Rcd 18512 (2008) (collectively “Reconfiguration Orders”).

<sup>2</sup> 800 MHz Transition Administrator, LLC is the Transition Administrator for the reconfiguration of the 800 MHz band as mandated by the FCC. 800 MHz Transition Administrator, LLC has contracted with Deloitte Consulting LLP (“Deloitte”), Squire, Sanders & Dempsey L.L.P. (“SSD”), and Baseline Wireless Services, LLC (“BWS”) (each a “TA Member” and collectively “TA Members”) to perform the duties of the TA. As further discussed in Section IX.E. of the Notes, as of May 8, 2009, Deloitte Consulting LLP replaced BearingPoint, Inc. as a contractor to the 800 MHz Transition Administrator, LLC.

<sup>3</sup> *Report and Order*, 19 FCC Rcd at 15073, 47 C.F.R. § 90.676(b)(4).

## INDEPENDENT AUDITORS' REPORT

To 800 MHz Transition Administrator, LLC:

We have audited the accompanying Statement of Program Expenditures of the 800 MHz Reconfiguration Program (Program) for the year-ended December 31, 2008 and for the period August 6, 2004 (Inception) through December 31, 2008. The Statement of Program Expenditures is the responsibility of the management of both the 800 MHz Transition Administrator, LLC and Sprint Nextel. Our responsibility is to express an opinion on the Statement of Program Expenditures based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement of Program Expenditures is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement of Program Expenditures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note II, the Statement of Program Expenditures was prepared using the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the Statement of Program Expenditures referred to above presents fairly in all material respects, the Program expenditures of the 800 MHz Reconfiguration Program as of December 31, 2008 and for the period August 6, 2004 (Inception) through December 31, 2008, on the basis of accounting described in Note II.

In accordance with Government Auditing Standards, we have also issued our report dated June 30, 2009, on our consideration of the 800 MHz Reconfiguration Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters including the requirements of the Federal Communications Commission *Improving Public Safety Communications in the 800 MHz Band*, Report and Order, Fifth Report and Order, Fourth Memorandum Opinion and Order, and Order, 19 FCC Rcd 14969 (2004), as amended, modified and supplemented. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance

and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

*Reznick Group, P.C.*

Bethesda, Maryland  
June 30, 2009

**800 MHz RECONFIGURATION**  
**STATEMENT OF PROGRAM EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**AND FOR THE PERIOD FROM**  
**AUGUST 6, 2004 (INCEPTION) THROUGH DECEMBER 31, 2008**

*(in thousands)*

	<b>For the Year Ended December 31, 2008</b>	<b>Inception Through December 31, 2008</b>
800 MHz Incumbent Reconfiguration Costs (Note III)	\$ 130,058	\$ 253,240
Sprint Nextel Costs (Note IV)	38,328	65,804
Letter of Credit Fees (Note V)	28,847	61,892
800 MHz Transition Administrator Fees & Expenses (Note VI)	<u>36,162</u>	<u>136,644</u>
Total Program Expenditures	\$ <u>233,395</u>	\$ <u>517,580</u>

See Notes to the Statement of Program Expenditures.

**800 MHz RECONFIGURATION**  
**NOTES TO THE STATEMENT OF PROGRAM EXPENDITURES**  
**DECEMBER 31, 2008**

*(in thousands)*

**I. 800 MHz RECONFIGURATION PROGRAM DESCRIPTION**

**A. Program Background**

The Federal Communications Commission (“FCC”) on August 6, 2004 (“Inception”) ordered in its *Improving Public Safety Communications in the 800 MHz Band*, Report and Order, Fifth Report and Order, Fourth Memorandum Opinion and Order, and Order, 19 FCC Rcd 14969 (2004), as amended, modified and supplemented (“Report and Order”) the reconfiguration of the 800 MHz band (“800 MHz Reconfiguration” or “Program”) to eliminate interference to critical public safety communications from commercial wireless carriers operating in the band. Over the past several years, public safety and other “high-site” radio systems – including those used by police, firefighters, emergency services, utilities, businesses, and others operating in the 806-824 MHz/851-869 MHz band (the “800 MHz band”) – increasingly experienced equipment interference problems and communications “dead zones” as a result of technically incompatible “low-site” commercial wireless systems operating in the same or adjacent spectrum bands. This issue became more problematic as low-site systems flourished (such as those of Sprint Nextel) and high-site 800 MHz public safety systems became more widespread.

In order to alleviate the interference between the two types of systems, 800 MHz Reconfiguration is relocating public safety licensees to lower segments of the band and commercial cellular networks to higher segments. Additionally, an “Expansion Band” and a “Guard Band” has been created to serve as a buffer between the different systems. The Program is being overseen by a Transition Administrator, 800 MHz Transition Administrator, LLC (“TA”).

Pursuant to its January 31, 2005 Regional Prioritization Plan (“RPP”), the TA outlined a schedule for accomplishing reconfiguration of the 800 MHz band. The schedule outlined in the RPP established dates for commencement of band reconfiguration in each of fifty-five 800 MHz National Public Safety Planning Advisory Committee (“NPSPAC”) regions, which are grouped into two stages, each with four waves (“Waves 1-4”). The RPP provides that the four waves start reconfiguration successively on a staggered schedule within each stage, in order to accomplish 800 MHz reconfiguration within a three-year timeframe. The start date for Wave 1 Stage 1 was June 27, 2005, and the program was originally contemplated to end on June 26, 2008. The FCC has granted waivers to many licensees for reconfiguration activities to extend beyond the original program completion date of June 26, 2008.

The RPP also acknowledged that certain licensees located close to the Mexican or Canadian borders would not be able to reconfigure until the respective countries completed negotiations with the United States and coordinated new frequency plans that would permit the licensees within the United States to be relocated to different frequencies. In October 2008, the TA released, and the FCC subsequently adopted, the Canadian Implementation Plan (“CIP”) and timetable for the Reconfiguration of the 800



**800 MHz RECONFIGURATION**  
**NOTES TO THE STATEMENT OF PROGRAM EXPENDITURES**  
**DECEMBER 31, 2008**

*(in thousands)*

MHz Band along the United States-Canadian border. The CIP provides for a 30-month reconfiguration period, starting October 14, 2008 and ending April 14, 2011.

**B. Affected Parties**

The primary parties affected by the reconfiguration process include:

**1. 800 MHz Incumbent Licensees**

The FCC ordered certain licensees operating 800 MHz systems (“800 MHz Incumbent Licensees”) to relocate their systems to comparable facilities at new frequencies and required Sprint Nextel to pay all reasonable reconfiguration costs of the relocations. The 800 MHz Incumbent Licensees negotiate and enter into Frequency Reconfiguration Agreements (“FRAs”), and, if needed, Planning Funding Agreements (“PFAs”), (collectively, “800 MHz Agreements”) with Sprint Nextel to document the terms of incumbent reconfigurations. The TA reviews and approves requests for planning funding and cost estimates associated with these reconfigurations (“Cost Estimates”) and reviews the amounts expended at the completion of each licensee reconfiguration to ensure the amounts expended are consistent with TA-approved amounts.

**2. Sprint Nextel**

Sprint Nextel is charged by the FCC with funding 800 MHz reconfiguration expenditures, including relocation costs of affected licensees, costs of reconfiguring many of its own 800 MHz operations, and other program expenditures such as TA and audit fees. To ensure reconfiguration of all affected licensees is completed nationwide, the FCC required Sprint Nextel to obtain an irrevocable letter of credit (“Letter of Credit”) in the amount of \$2.5 billion and commit to fully funding the 800 MHz Reconfiguration.

Sprint Nextel has received spectrum in the 1.9 GHz band and has relinquished spectrum within the 800 MHz band to 800 MHz band licensees. At the culmination of reconfiguration, the FCC will make available to qualified entities the channels in the 800 MHz band surrendered by Sprint Nextel. To ensure that Sprint Nextel does not realize any windfall gain, at completion of reconfiguration, the Commission will require Sprint Nextel to pay into the U.S. Treasury the difference between the value of the 1.9 GHz spectrum it received (\$4.86 billion) and the sum of i) the net value of spectrum rights that Sprint Nextel has relinquished to 800 MHz band licensees (\$2.059 billion); ii) the actual cost of 800 MHz band reconfiguration (“800 MHz Reconfiguration Program Expenditures”); and iii) costs incurred by Sprint Nextel to clear the 1.9 GHz band, less any reimbursed expenses.

**800 MHz RECONFIGURATION**  
**NOTES TO THE STATEMENT OF PROGRAM EXPENDITURES**  
**DECEMBER 31, 2008**

*(in thousands)*

**3. 800 MHz Transition Administrator, LLC (“TA”)**

The TA is an independent entity charged with administrative and financial aspects of the reconfiguration process and is, at December 31, 2008, a wholly-owned subsidiary of BearingPoint, Inc. The TA contracted with BearingPoint, Inc., Squire, Sanders & Dempsey, L.L.P. and Baseline Wireless Services, LLC. to perform the duties of the TA. Among its duties, the TA establishes reconfiguration guidelines, specifies replacement channels, reviews Cost Estimates, monitors payment of and reviews 800 MHz licensee reconfiguration costs, assesses Sprint Nextel internal costs of relocation, manages the relocation schedule, facilitates issue resolution and administers the alternative dispute resolution process. A change in the TA ownership occurred subsequent to December 31, 2008. (See Note IX.E).

**II. SIGNIFICANT ACCOUNTING PRINCIPLES**

**A. Final Accounting, Scope of 800 MHz Reconfiguration Statement of Program Expenditures and Basis of Accounting**

The Reconfiguration Program was originally contemplated to be completed by June 28, 2008 with a financial reconciliation, or “Final Accounting” completed within six months thereafter to determine any payment due from Sprint Nextel to the U.S. Treasury. In December 2008, the FCC extended the Final Accounting until July 1, 2009. Additionally, the FCC provided the ability for further extensions of the Final Accounting to be granted in the future based on the progress of the Reconfiguration Program. (See Note IX.E). When the Final Accounting is performed, any payment due to the U.S. Treasury would be calculated as the difference between:

- the \$4.86 billion assigned value of the 1.9 GHz band spectrum rights received by Sprint Nextel; and
- the net sum of:
  - i) the \$2.059 billion assigned value of the spectrum Sprint Nextel relinquished in the 800 MHz band;
  - ii) the 800 MHz Reconfiguration Program Expenditures; and
  - iii) the costs incurred by Sprint Nextel to clear the 1.9 GHz band, less any reimbursed expenses.

The scope of the Statement of Program Expenditures is limited to 800 MHz Reconfiguration Program Expenditures submitted by Sprint Nextel to the TA for assessment and assessed by the TA as allowable 800 MHz Reconfiguration Program Expenditures, subject to Sprint Nextel’s performance in accordance with the Report and Order (“Creditable Costs”). Accordingly, the Statement of Program Expenditures does not include all of the costs incurred for certain cost categories (as further described in sections B and C below) incurred through December 31, 2008 because the amounts

**800 MHz RECONFIGURATION**  
**NOTES TO THE STATEMENT OF PROGRAM EXPENDITURES**  
**DECEMBER 31, 2008**

*(in thousands)*

reflected in the Statement of Program Expenditures for those certain costs exclude costs that have been incurred but not yet submitted by Sprint Nextel to the TA for credit assessment. Additionally, there are certain costs submitted by Sprint Nextel that have been excluded from the Statement of Program Expenditures because more information is needed from Sprint Nextel and/or certain 800 MHz Incumbent Licensees in order for the TA to complete its assessment. These not yet submitted or open for more information costs may ultimately be assessed as Creditable Costs during a subsequent reporting period. (See Notes VII and VIII). The Statement of Program Expenditures excludes costs incurred by Sprint Nextel to clear the 1.9 GHz band, less any reimbursed expenses. In accordance with the Report and Order, such costs are maintained by Sprint Nextel and are required to be audited on an annual basis.

The Statement of Program Expenditures is presented on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**B. 800 MHz Incumbent Reconfiguration Costs**

The 800 MHz Incumbent Reconfiguration Costs reflect amounts incurred by Sprint Nextel for:

- payments made to 800 MHz Incumbent Licensees or their vendors in accordance with TA-approved 800 MHz Agreements executed by 800 MHz Incumbent Licensees and Sprint Nextel (“800 MHz Licensee Costs”); and
- certain amounts incurred by Sprint Nextel related to 800 MHz Incumbent Licensee subscriber equipment which requires, as a result of relocation, either a software upgrade or replacement (“800 MHz Replacement Equipment Costs”).

The 800 MHz Licensee Costs include payments for:

- actual costs incurred related to closed TA-approved 800 MHz Agreements;
- advance payments of Cost Estimates pursuant to TA-approved 800 MHz Agreements that have not yet closed; and
- certain other costs such as sales and use taxes and FCC filing fees Sprint Nextel is required to pay under the terms of the TA-approved 800 MHz Agreements.

The TA-approved 800 MHz Agreements require 800 MHz Incumbent Licensees to provide Sprint Nextel, prior to closing, with the supporting documentation for the actual costs incurred pursuant to such 800 MHz Agreements. The 800 MHz Agreements further

**800 MHz RECONFIGURATION**  
**NOTES TO THE STATEMENT OF PROGRAM EXPENDITURES**  
**DECEMBER 31, 2008**

*(in thousands)*

require Sprint Nextel and 800 MHz Incumbent Licensees to reconcile the estimated costs included in TA-approved Cost Estimates to the actual costs supported (“Actual Costs”) to determine any additional amounts due to the 800 MHz Incumbent Licensees or any refund due to Sprint Nextel (the “Actual Cost Reconciliation Process”). Certain payment terms included in the TA-approved 800 MHz Agreements require Sprint Nextel to make, based on the TA-approved Cost Estimates included in such agreements, advanced payments prior to the completion of the Actual Cost Reconciliation Process.

The 800 MHz Replacement Equipment Costs relate to costs incurred for:

- development of software for certain 800 MHz Incumbent Licensee subscriber equipment that enables such subscriber equipment to be retuned rather than replaced and the related software upgrade kits included in TA-approved 800 MHz Agreements; and
- replacement equipment for certain 800 MHz Incumbent Licensee subscriber and infrastructure equipment where such replacement equipment is to be provided by Sprint Nextel pursuant to such TA-approved 800 MHz Agreements.

The scope of the 800 MHz Incumbent Reconfiguration Costs reflected in the Statement of Program Expenditures is limited, and, accordingly, these amounts do not include all of the 800 MHz Incumbent Reconfiguration Costs incurred through December 31, 2008 which may ultimately be assessed as Creditable Costs during a subsequent reporting period. (See II.A. above).

**C. Sprint Nextel Costs**

Sprint Nextel Costs reflect amounts incurred by Sprint Nextel for:

- Program costs such as i) 800 MHz Incumbent Licensee negotiation costs for broker and legal fees; ii) systems development costs to support tracking and reporting of 800 MHz Program activity and costs; and iii) Sprint Nextel’s program and financial management costs, such as fees related to Sprint Nextel legal, management and coordination support, financial management and audit expenditures, and other program costs incurred by Sprint Nextel (“Sprint Nextel Program Costs”); and
- the reconfiguration of Sprint Nextel’s systems in the 800 MHz band, such as installing improved filters in Sprint Nextel’s 800 MHz base station transmitters and relocating Sprint Nextel operations to new channels (“Sprint Nextel Internal Network Costs”).

**800 MHz RECONFIGURATION**  
**NOTES TO THE STATEMENT OF PROGRAM EXPENDITURES**  
**DECEMBER 31, 2008**

*(in thousands)*

The scope of the Sprint Nextel Costs reflected in the Statement of Program Expenditures is limited, and, accordingly, these amounts do not include all of the Sprint Nextel Costs incurred through December 31, 2008 which may ultimately be assessed as Creditable Costs during a subsequent reporting period. (See II.A. above).

**D. Letter of Credit Fees**

Letter of Credit Fees reflect the interest costs of the Letter of Credit maintained by Sprint Nextel as security for payment of 800 MHz Incumbent Reconfiguration Costs. The TA may initiate draws on the Letter of Credit to pay 800 MHz Incumbent Licensees or their vendors in the event that Sprint Nextel fails to make payment within 30 days of a payment obligation date and fails to demonstrate good cause for non-payment within 40 days of a payment obligation date. The initial carrying balance of the Letter of Credit was established at \$2.5 billion and may be reduced over the life of the Program, as Sprint Nextel's remaining payment obligations related to 800 MHz Incumbent Reconfiguration Costs are reduced, provided however, the Letter of Credit balance may not be reduced below \$850 million. The original Letter of Credit is scheduled to expire on July 26, 2009 and has been extended. (See Note IX.C).

Letter of Credit Fees are governed by the credit agreement, as may be amended from time to time, that Sprint Nextel has entered into with its banks. Interest on the Letter of Credit accrues daily based on the Letter of Credit exposure, defined as the sum of a) the undrawn amount of the outstanding Letter of Credit; plus b) the aggregate amount of all Letter of Credit disbursements unpaid by Sprint Nextel.

As of December 31, 2008, Letter of Credit Fees are comprised of the following fees:

- a fronting fee of 1/10 of 1% per year; and
- a participation fee and a facility fee, both of which vary depending on Sprint Nextel's corporate credit rating, as published by Standard & Poor's Rating Services and Moody's Investors Service, Inc.

**E. 800 MHz Transition Administrator Fees & Expenses**

TA Fees are billed in accordance with the TA's agreements with Sprint Nextel. Labor is billed at contractually agreed hourly rates and reasonable costs and expenses, including travel, are billed as incurred. (See Note I.B.3).

**800 MHz RECONFIGURATION**  
**NOTES TO THE STATEMENT OF PROGRAM EXPENDITURES**  
**DECEMBER 31, 2008**

*(in thousands)*

**III. 800 MHz INCUMBENT RECONFIGURATION COSTS**

Total 800 MHz Incumbent Reconfiguration Costs are as follows:

	For the Year Ended December 31, 2008	Inception Through December 31, 2008
Closed TA-approved 800 MHz Agreements	\$ 22,905	\$ 34,747
TA-approved 800 MHz Agreements not yet Closed	<u>107,153</u>	<u>186,412</u>
800 MHz Licensee Costs	\$ 130,058	\$ 221,159
800 MHz Replacement Equipment Costs	<u>-</u>	<u>32,081</u>
800 MHz Incumbent Reconfiguration Costs	<u>\$ 130,058</u>	<u>\$ 253,240</u>

The amounts paid for 800 MHz Licensee Costs for the year ended December 31, 2008 and for the period of Inception through December 31, 2008 include \$67,158 and \$99,119 related to licensee costs paid to Motorola. The amounts paid for 800 MHz Replacement Equipment Costs relate to software development costs paid to Motorola.

Total TA-approved and executed Cost Estimates and 800 MHz Licensee Costs are as follows:

	For the Year Ended December 31, 2008	Inception Through December 31, 2008
PFA's	\$ 6,980	\$ 87,646
FRA's	<u>268,689</u>	<u>472,112</u>
Total TA-approved and Executed Cost Estimates	\$ 275,669	\$ 559,758
800 MHz Licensee Costs	<u>130,058</u>	<u>221,159</u>
800 MHz Licensee Costs to be Included in a Subsequent Statement of Program Expenditures	<u>\$ 145,611</u>	<u>\$ 338,599</u>

**800 MHz RECONFIGURATION**  
**NOTES TO THE STATEMENT OF PROGRAM EXPENDITURES**  
**DECEMBER 31, 2008**

*(in thousands)*

The scope of the 800 MHz Incumbent Reconfiguration Costs reflected in the Statement of Program Expenditures is limited, and, accordingly, these amounts do not include all of the 800 MHz Incumbent Reconfiguration Costs incurred through December 31, 2008 which may ultimately be assessed as Creditable Costs during a subsequent reporting period. (See Note II).

**IV. SPRINT NEXTEL COSTS**

Total Sprint Nextel Costs are as follows:

	<b>For the Year Ended December 31, 2008</b>	<b>Inception Through December 31, 2008</b>
Program Costs	\$ 23,028	\$ 50,504
Internal Network Costs	<u>15,300</u>	<u>15,300</u>
Sprint Nextel Costs	\$ <u>38,328</u>	\$ <u>65,804</u>

The scope of the Sprint Nextel Costs reflected in the Statement of Program Expenditures is limited, and, accordingly, these amounts do not include all of the Sprint Nextel Costs incurred through December 31, 2008 which may ultimately be assessed as Creditable Costs during a subsequent reporting period. (See Note II).

**V. LETTER OF CREDIT FEES**

At December 31, 2008 and December 31, 2007, the carrying balance of the Letter of Credit was \$2.0 billion and \$2.5 billion, respectively. The carrying balance of the Letter of Credit may be reduced over the life of the Program. (See Note II.D). Through December 31, 2008, there were no draws or disbursements on the Letter of Credit. Letter of Credit Fees paid by Sprint Nextel for the year ended December 31, 2008 and for the period of Inception through December 31, 2008 are \$28,847 and \$61,892, respectively.

**VI. 800 MHz TRANSITION ADMINISTRATOR FEES & EXPENSES**

Fees for labor hours ("Fees") and expenses of the TA paid by Sprint Nextel for the year ended December 31, 2008 and for the period of Inception through December 31, 2008 are \$36,162 and \$136,644, respectively.

**800 MHz RECONFIGURATION**  
**NOTES TO THE STATEMENT OF PROGRAM EXPENDITURES**  
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*(in thousands)*

**VII. SUBMITTED PROGRAM EXPENDITURES (Unaudited)**

The scope of the Statement of Program Expenditures is limited to 800 MHz Reconfiguration Program Expenditures submitted by Sprint Nextel for TA assessment and assessed by the TA as allowable 800 MHz Reconfiguration Program Expenditures. (See Note II.) In certain circumstances, the TA has requested more information from Sprint Nextel and/or 800 MHz Incumbent Licensees in order to allow the TA to complete the credit assessment.

As of December 31, 2008, costs submitted for credit and assessed as creditable or open for additional information are as follows:

	<b>Expenditures Submitted for Credit Assessment</b>	<b>Amounts Assessed as Creditable Costs</b>	<b>Amounts Open for More Information to Allow Credit Assessment</b>
800 MHz Incumbent Reconfiguration Costs	\$ 295,675	\$ 253,240	\$ 42,435
Sprint Nextel Costs	229,593	65,804	163,789
Letter of Credit Fees	61,892	61,892	-
TA Fees & Expenses	136,644	136,644	-
Total Costs Submitted	\$ <u>723,804</u>	\$ <u>517,580</u>	\$ <u>206,224</u>



**800 MHz RECONFIGURATION**  
**NOTES TO THE STATEMENT OF PROGRAM EXPENDITURES**  
**DECEMBER 31, 2008**

*(in thousands)*

**VIII. TO BE SUBMITTED PROGRAM EXPENDITURES (Unaudited)**

The scope of the 800 MHz Incumbent Reconfiguration Costs reflected in the Statement of Program Expenditures is limited, and, accordingly, does not include all of the 800 MHz Incumbent Reconfiguration Costs incurred through December 31, 2008 which may ultimately be assessed as Creditable Costs during a subsequent reporting (See Note II).

Costs to be included in a subsequent Statement of Program Expenditures when i) such costs have been paid, submitted by Sprint Nextel for credit assessment, and determined by the TA to be Creditable Costs or ii) once the TA has received and evaluated the additional information requested in order to allow credit assessment are as follows:

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800 MHz Licensee Costs to be Included in a Subsequent Statement of Program Expenditures	\$ 338,599
Less:	
800 MHz Licensee Costs Submitted for Credit but Classified as Open for More Information to Allow Credit Assessment	<u>42,435</u>
800 MHz Licensee Costs Not yet Paid or Submitted for Credit, Subject to the Actual Cost Reconciliation Process	\$ 296,164
Letter of Credit Fees incurred but not yet paid	164
TA Fees & Expenses incurred but not yet paid	<u>3,733</u>
Total Costs to be Included in a Subsequent Statement of Program Expenditures, Pending Assessment as Creditable Costs	<u>\$ 300,061</u>

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**800 MHz RECONFIGURATION**  
**NOTES TO THE STATEMENT OF PROGRAM EXPENDITURES**  
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*(in thousands)*

Estimated expenditures, incurred by Sprint Nextel and reported to the TA, available to be submitted to the TA for credit assessment in a subsequent period (“Estimated – To Be Submitted Costs”) are as follows:

	<b>Inception Through December 31, 2008</b>
Estimated 800 MHz Replacement Equipment Costs	\$ 419,502
Estimated Sprint Nextel Costs	<u>26,256</u>
Estimated – To Be Submitted Costs	<u>\$ 445,758</u>

The estimated 800 MHz Replacement Equipment Costs relate to equipment purchased pursuant to fulfillment agreements entered into between Sprint Nextel and various manufacturers, and generally represent deposits or other prepayments made to manufacturers for equipment that is expected to be used in fulfillment of certain replacement equipment under the terms of 800 MHz Agreements.

The estimated Sprint Nextel costs relate to \$20,268 in Internal Network Costs and \$5,988 in Program Costs.

These estimated amounts may be subject to change, and the actual expenditures incurred that are submitted for credit assessment in the future could be more or less than the estimated amounts presented here. These amounts are the best estimates as of December 31, 2008 given the known events and circumstances at the point in time.

During the period from Inception through December 31, 2008, Sprint Nextel has advised the TA that it has incurred certain costs related to Sprint Nextel’s Internal Network that Sprint Nextel may submit for credit at a later date (“To Be Determined Sprint Nextel Costs”), but cannot be reasonably estimated at this time. These costs relate to internal labor costs, program costs and amounts paid to Sprint Nextel’s vendors and are expected to be significant.

At this time, Sprint Nextel has advised the TA that it is unable to estimate when the Estimated - To Be Submitted Costs and the To Be Determined Sprint Nextel Costs (collectively, “To Be Submitted Costs”) will be submitted for credit. Ultimately, some of these costs may not be submitted for credit if submitted costs are such that no payment will be due from Sprint Nextel to the U.S. Treasury.

The TA will assess the To Be Submitted Costs when Sprint Nextel submits these costs, together with supporting documentation, for TA review. The To Be Submitted Costs and

**800 MHz RECONFIGURATION**  
**NOTES TO THE STATEMENT OF PROGRAM EXPENDITURES**  
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*(in thousands)*

any amounts classified as open for more information to allow credit assessment that are determined by the TA to be Creditable Costs will be included in a subsequent audited Statement of Program Expenditures.

**IX. SUBSEQUENT EVENTS**

**A. 800 MHz Incumbent Reconfiguration Costs (Unaudited)**

Total 800 MHz Incumbent Reconfiguration Costs are as follows:

	For the Quarter Ended March 31, 2009	Inception Through March 31, 2009
Closed TA-approved 800 MHz Agreements	\$ 4,111	\$ 38,858
TA-approved 800 MHz Agreements not yet Closed	<u>24,668</u>	<u>211,080</u>
800 MHz Licensee Costs	\$ 28,779	\$ 249,938
800 MHz Replacement Equipment Costs	<u>-</u>	<u>32,081</u>
800 MHz Incumbent Reconfiguration Costs	\$ <u>28,779</u>	\$ <u>282,019</u>

Sprint Nextel has not yet submitted to the TA for assessment the 800 MHz Replacement Equipment Costs incurred in the quarter ended March 31, 2009. (See Note II.B.)

**800 MHz RECONFIGURATION**  
**NOTES TO THE STATEMENT OF PROGRAM EXPENDITURES**  
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(in thousands)

Total TA-approved and executed Cost Estimates and 800 MHz Licensee Costs are as follows:

	For the Quarter Ended March 31, 2009	Inception Through March 31, 2009
PFAs	\$ 4,735	\$ 92,381
FRAAs	33,530	505,642
Total TA-approved and Executed Cost Estimates	\$ 38,265	\$ 598,023
800 MHz Licensee Costs	28,779	249,938
800 MHz Licensee Costs to be Included in a Subsequent Statement of Program Expenditures	\$ 9,486	\$ 348,085

**B. Sprint Nextel Costs (Unaudited)**

Sprint Nextel has not yet submitted to the TA for assessment the Sprint Nextel Costs incurred in the quarter ended March 31, 2009. (See Note II.)

**C. Letter of Credit Fees (Unaudited)**

On April 22, 2009, the Letter of Credit was extended to December 10, 2010. As of March 31, 2009 there were no draws or disbursements on the Letter of Credit. Letter of Credit Fees paid by Sprint Nextel for the quarter ended March 31, 2009 and Inception through March 31, 2009, are \$14,681 and \$76,573, respectively.

**D. 800 MHz Transition Administrator Fees & Expenses (Unaudited)**

Fees for labor hours ("Fees") and expenses of the TA paid by Sprint Nextel for the quarter ended March 31, 2009 and Inception through March 31, 2009 are \$8,213 and \$144,857, respectively.

**E. 800 MHz Transition Administrator, LLC (Audited)**

On February 18, 2009, BearingPoint, Inc. and certain of its affiliates (collectively, the "Sellers") filed separate voluntary petitions for relief under chapter 11 of title 11, United States Code (the "Bankruptcy Code") with the United States Bankruptcy Court for the Southern District of New York. On March 23, 2009, the Sellers, as debtors and debtors-in-possession, entered into an agreement with Deloitte LLP by which Deloitte LLP

**800 MHz RECONFIGURATION**  
**NOTES TO THE STATEMENT OF PROGRAM EXPENDITURES**  
**DECEMBER 31, 2008**

*(in thousands)*

agreed to acquire substantially all of the assets of the North American Public Services business unit of BearingPoint, Inc., including the contract between the TA and BearingPoint, Inc.

As of May 8, 2009, Deloitte Consulting LLP, a subsidiary of Deloitte LLP, has replaced BearingPoint, Inc. as a contractor to the TA and, as a result, has assumed BearingPoint Inc.'s responsibilities with respect to the reconfiguration program. On May 20, 2009, i) the FCC approved (Improving Public Safety Communications in the 800 MHz Band, WT Docket No. 02-55, *Order*, DA 09-1102 (rel. May 20, 2009) the transfer of ownership of the TA to Baseline Wireless Services, LLC and ii) such ownership transfer was made.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To 800 MHz Transition Administrator, LLC:

We have audited the Statement of Program Expenditures of the 800 MHz Reconfiguration Program (Program) for the year-ended December 31, 2008 and for the period from August 6, 2004 (Inception) through December 31, 2008, and have issued our report thereon dated June 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Program's internal control over financial reporting, as established by both the 800 MHz Transition Administrator, LLC and Sprint Nextel, as a basis for designing our auditing procedures for the purpose of expressing an opinion on the Statement of Program Expenditures, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Program's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles (GAAP), or a comprehensive basis of accounting other than GAAP, such that there is more than a remote likelihood that a misstatement of the Statement of Program Expenditures that is more than inconsequential will not be prevented or detected by the Program's internal control.

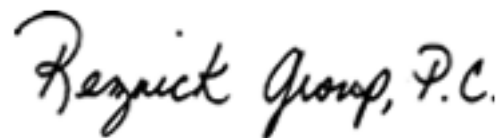
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the Statement of Program Expenditures will not be prevented or detected by the Program's internal controls.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 800 MHz Reconfiguration Program's Statement of Program Expenditures is free of material misstatement, we performed tests of its compliance with certain provisions of laws, and regulations, including the Federal Communications Commission *Improving Public Safety Communications in the 800 MHz Band*, Report and Order, Fifth Report and Order, Fourth Memorandum Opinion and Order, and Order, 19 FCC Rcd 14969 (2004), as amended, modified and supplemented, and contracts, noncompliance with which could have a direct and material effect on the determination of Program expenditure amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management of the 800 MHz Transition Administrator, LLC, Sprint Nextel, and the Federal Communication Commission, and is not intended to be and should not be used by anyone other than these specified parties.



Bethesda, Maryland  
June 30, 2009